



CEO Presentation
Annual General Meeting
7th May 2013

Agenda

- 2012 Performance
- Strategic Development
- Outlook



2012 Market Conditions

- UK demand remained weak
- Raw material prices softened causing some sales price deflation
- A number of key market sectors for protective packaging were strong:
 - 3PL
 - Internet Retail
- The self adhesive labels market continued to be price oriented but interest in re-sealable labels was encouraging

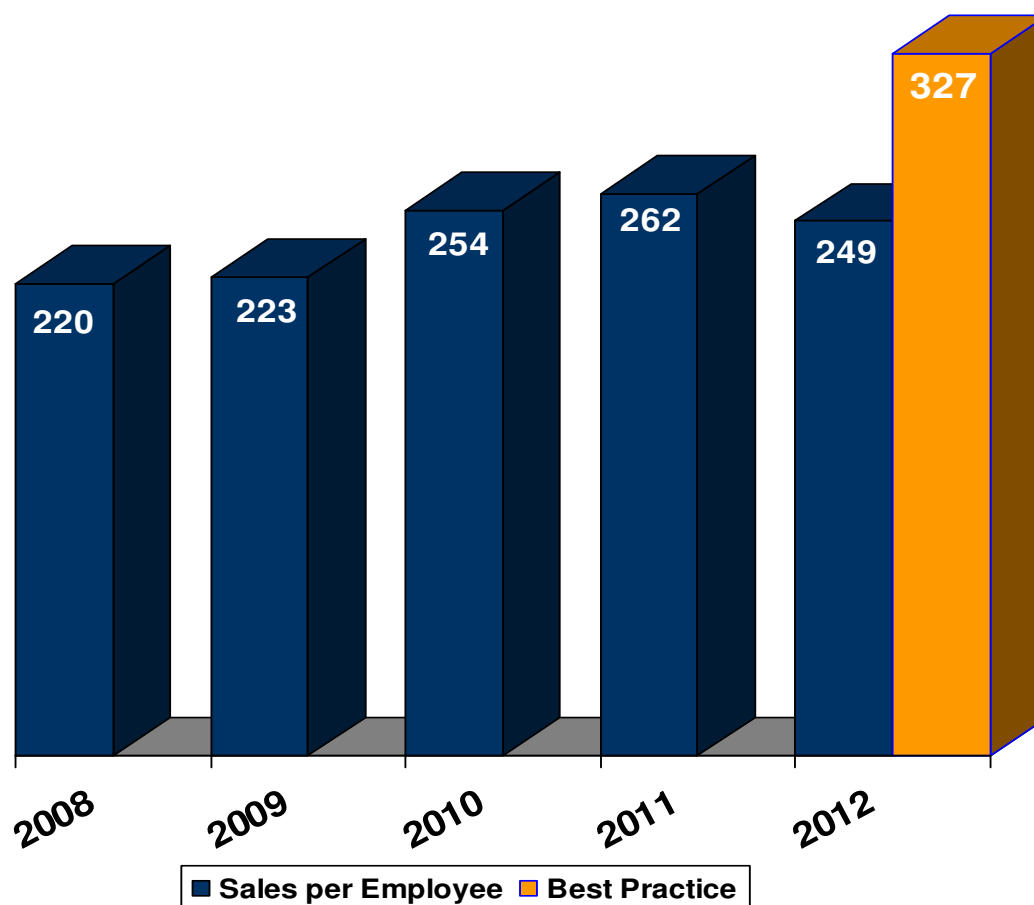
2012 Performance



- **Macfarlane Group**
 - Sales decline by 1.9%
 - PBT growth of 27%
- **Packaging Distribution**
 - Sales decline by 1.6%*
 - Gross margin improvement of 1.1%
 - PBT growth of 7%
- **Manufacturing Operations**
 - Sales decline by 3.1%
 - Gross margin improvement
 - Significant profit growth versus 2011

Clear focus and positive actions in an unfavourable economic environment ensured 2012 was another year of profitable growth for Macfarlane Group

Sales per Employee* £000

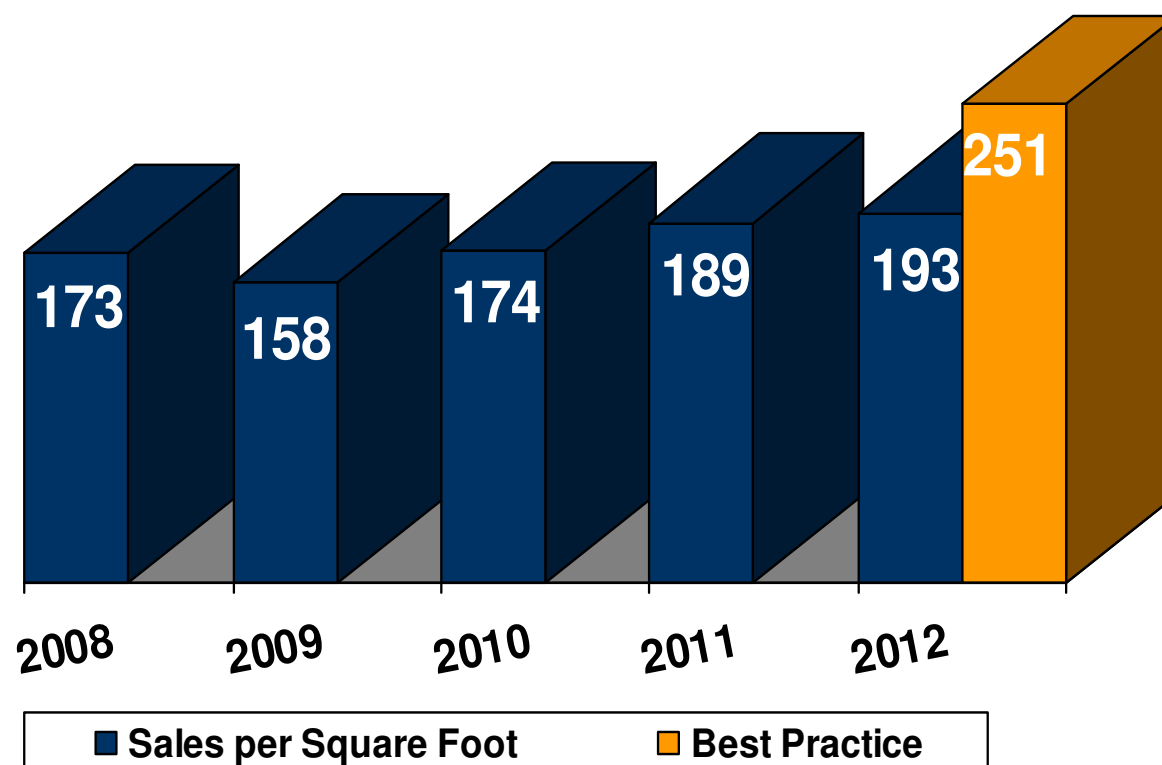


Best Practice
Sales Opportunity
** £36m

* These figures are for the Packaging Distribution business only.

** The Best Practice sales opportunity is based on all RDCs achieving the sales levels currently being achieved based on the average of the top 3 performing RDCs.

Sales per Square Foot* £

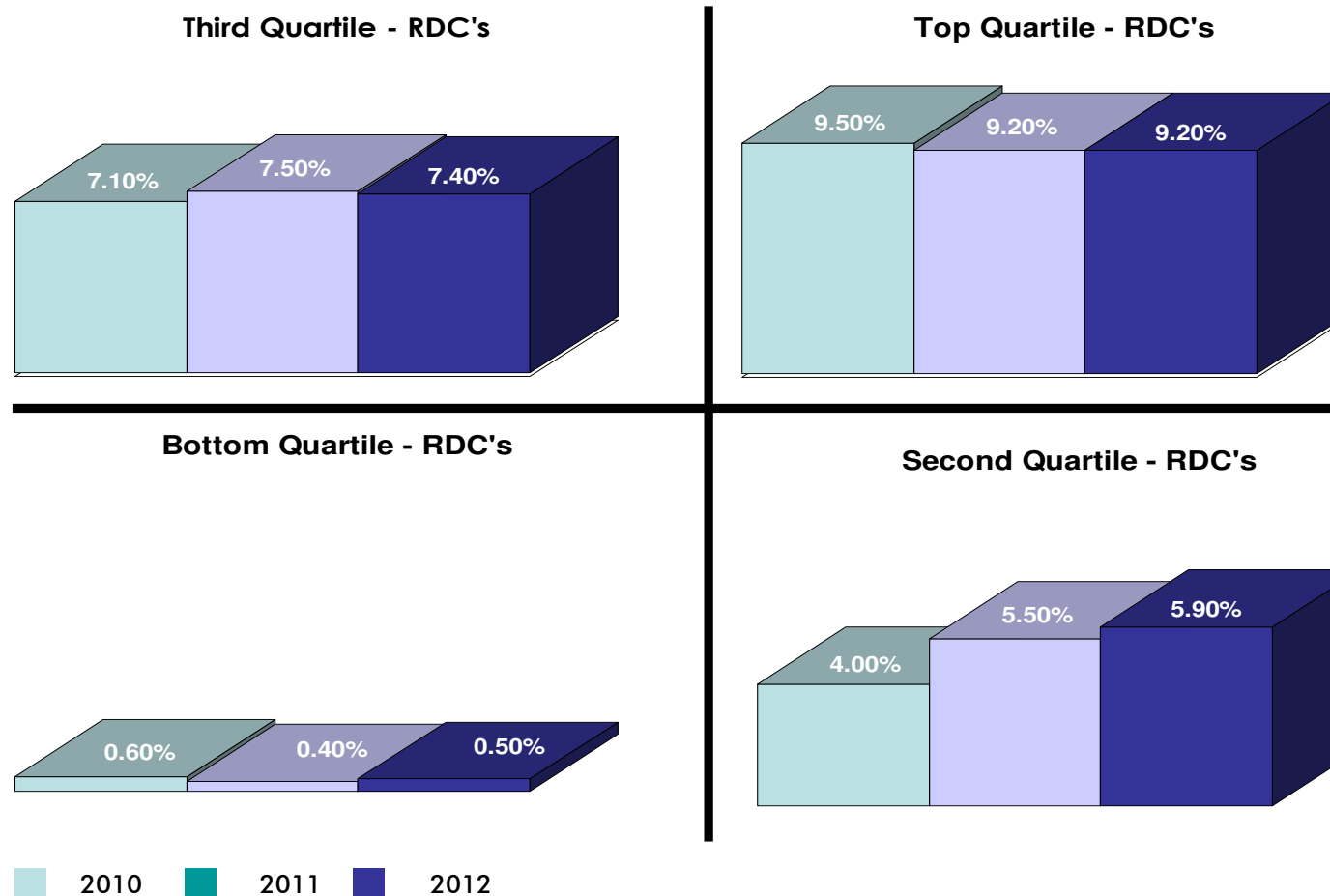


Best Practice
Sales
Opportunity **
£35m

* These figures are for all RDCs in the Packaging Distribution business only

** The Best Practice sales opportunity is based on all RDCs achieving the sales levels currently being achieved based on the average of the top 3 performing RDCs.

Return on Sales by RDC*



Best
Practice
Profit (ROS)
Opportunity
** £6m

*These figures are based on all RDCs in the Packaging Distribution business. Return on sales = RDC Profit/(loss) / RDC Sales x 100 and is expressed as a % return.

** The Best practice profit opportunity is based on all RDCs achieving the return on sales currently being achieved based on the average of the top 3 performing RDCs.

The Growth in Internet Retailing

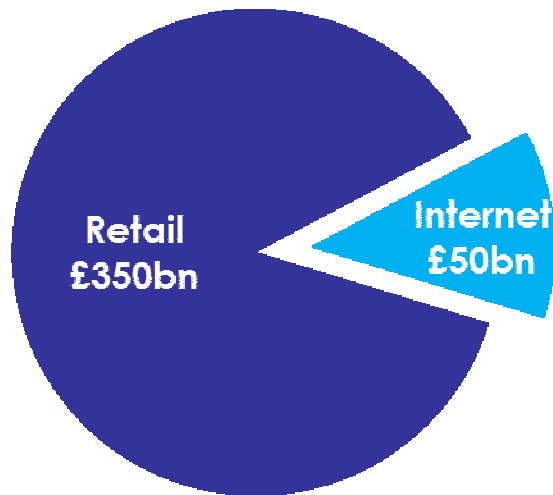


Strategic Development

The Growth in Internet Retailing

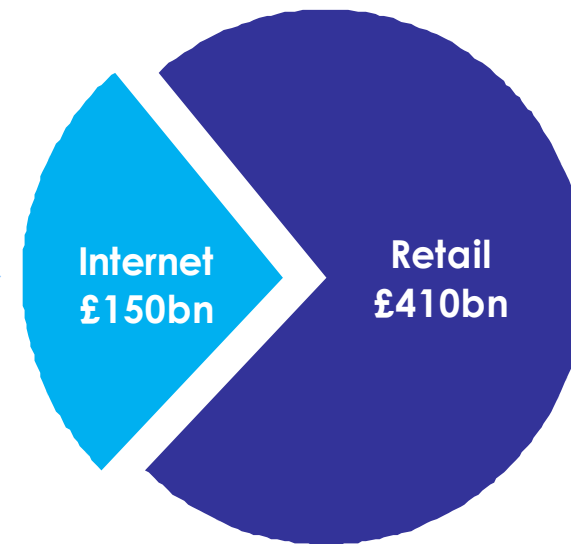
2012

UK Retail Sales £400bn



2022

UK Retail Sales £560bn



UK Internet Retail Sales are showing strong growth and will represent in excess of 25% of total retail sales in 10 years' time

Strategic Development

The Protective Packaging Opportunity in Internet Sales

- Need for more protection
- Need for better presentation
- Need to facilitate returns process
- Need for cost effective packing process
- Need to recognise environmental impact



Strategic Development



The Opportunity for Macfarlane

- Through our direct efforts and in partnership with the leading 3PL operators Macfarlane sales to internet retailers are currently in excess of £20m
- In 2012 Macfarlane sales to internet retailers grew by 12% and we currently supply some of the leading internet retailers in the UK (as shown on the next slide)

These major organisations choose Macfarlane because:

- We have the expertise to design packaging that ensures their products are presented and protected cost effectively, environmentally and in a way that will enhance the customer experience
- We have the expertise to create packing methods that are efficient and cost effective.

Strategic Development



Strategic Development



Growth Potential

- In an overall weak UK economy it is important we position ourselves in growth sectors
- The internet retail sector is a clear growth sector and Macfarlane is ideally positioned to benefit from this growth
- Through our expertise in the sector and our partnerships with key 3PL operators internet retail offers Macfarlane a sustainable growth opportunity.
- Currently at over £20 million and 20% of sales it is realistic to expect that Macfarlane sales to internet retailers could grow to c£50m over the next 3 to 5 years.

Outlook



- We expect the UK economy to remain weak.
- The Packaging Distribution business is strong and well positioned to benefit from the positive trends in growth sectors e.g. Internet Retail.
- Our Packaging Manufacturing business continues to progress through its expertise in the design and assembly of bespoke protective packaging.
- Reseal-it™ offers growth potential for our Labels business
- Following a successful year in 2012 we expect 2013 to be another year of profit growth.

MACFARLANE GROUP PLC

114th Annual General Meeting

7th May 2013